

## Message Text

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71

ACTION EUR-25

INFO OCT-01 ISO-00 SCEM-02 TRSE-00 EB-11 INT-08 COME-00

OMB-01 NEA-10 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 DRC-01 /169 W

----- 056447

R 062214Z DEC 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2259

UNCLAS OTTAWA 2929

PASSED INFO TO ALL CONSULS IN CANADA

E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJECT: SHAHEEN REFINERY BILLED AS CANADA'S -ACE IN HOLE-

1. JOHN SHAHEEN'S VISIT THIS WEEK TO OTTAWA (INCLUDING MEETING WITH ENERGY MINISTER MACDONALD) HAS HAD WIDESPREAD MEDIA COVERAGE IN CANADA, INCLUDING TORONTO STAR HEADLINE (NOVEMBER 5), "U.S. REFINERY IN CANADA OFFERS TO AID US IN CRISIS."

2. EMPHASIS OF PRESS COMMENTARY HAS BEEN THAT SHAHEEN'S COME-BY-CHANCE REFINERY IN NEWFOUNDLAND CAN SOON PROVIDE CANADA WITH 100,000 BARRELS DAILY OF OIL PRODUCTS, THUS ELIMINATING THE PROJECTED LATE WINTER EASTERN CANADIAN SHORTFALL OF 75,000 B/D OR AT LEAST HALVING MACDONALD'S "WORST ESTIMATE" OF A 200,000 B/D SHORTAGE. MACDONALD QUOTED IN PRESS AS STATING SHAHEEN REFINERY MIGHT PROVE TO BE "ACE IN THE HOLE" AND SHAHEEN DEMURING BY STATING "I'D HESITATE TO SAY WE'LL BE THE FINAL SOLUTION, BUT WE'LL BE VERY PLEASED TO HELP ALL WE CAN."

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EM SEVERAL IMPORTANT QUESTIONS, HOWEVER, REMAIN

UNCLEAR. SOME OBSERVERS CLAIM THAT POTENTIAL SHAHEEN REFINERY DELIVERIES WERE INCLUDED IN GOVERNMENT'S ESTIMATED SHORTFALLS OF UP TO 200,000 B/D, ALTHOUGH MACDONALD REPORTEDLY CLAIMS THIS NOT TO BE CASE BECAUSE OF JUDGMENT THAT COME-BY-CHANCE WOULD NOT BE IN PRODUCTION SOON ENOUGH TO SIGNIFICANTLY REDUCE SHORTAGES. SHAHEEN, HOWEVER, EXUDES CONFIDENCE THAT HIS REFINERY WILL BE PRODUCING 70,000 B/D IN TEN DAYS AND 100,000 B/D BY END OF DECEMBER "PIPEFITTERS OR NO PIPEFITTERS" (REFERENCE TO ON-GOING LABOR DISPUTE AT REFINERY).

4. WITH REGARD TO FOREIGN CRUDE SUPPLY, SHAHEEN CLAIMS 3 MILLION BARRELS IN STORAGE TANKS AND 3.6 MILLION BARRELS EN ROUTE. HE STATES CRUDE SUPPLY IS FROM IRAN, WHICH IS NOT INVOLVED IN MIDDLE EAST PRODUCTION CUTBACKS, AND KUWAIT WHICH HAS NO REASON TO CUT BACK BECAUSE HE CAN PROMISE THAT NONE OF REFINERY'S PRODUCT WILL GO TO EMBARGOED STATES.

5. AS FOR FACT THAT ORIGINAL INTENTION WAS TO EXPORT COME-BY-CHANCE OUTPUT TO U.S. AND EUROPE, SHAHEEN INDICATED TO PRESS HE WAS VOLUNTEERING OUTPUT TO CANADA BEFORE THE NATIONAL ENERGY BOARD COULD APPLY EXPORT RESTRICTIONS AND THAT IF FOREIGN CUSTOMERS WHO HAD CONTRACTED FOR REFINERY OUTPUT OBJECTED HE WOULD INVOKE "FORCE MAJEURE" CONTRACT CLAUSE ON GROUNDS THAT DELIVERIES PROHIBITED BY CANADIAN GOVERNMENT ACTION. JOHNSON

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** SCIENTIFIC COOPERATION, PETROLEUM, FOREIGN RELATIONS, REFINERIES  
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**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
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**Review Authority:** kellerpr  
**Review Comment:** n/a  
**Review Content Flags:**  
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**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <06-Sep-2001 by thomasv0>; APPROVED <02-Jan-2002 by kellerpr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**Subject:** SHAHEEN REFINERY BILLED AS CANADA'S -ACE IN HOLE-"  
**TAGS:** ENRG, CA, US  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005